



**STATE BOARD OF EQUALIZATION  
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

**DRAFT**

Date Amended:	<b>08/15/05</b>	Bill No:	<b>AB 18</b>
Tax:	<b>Property</b>	Author:	<b>La Malfa</b>
Related Bills:	<b>AB 164 (Nava) SB 457 (Kehoe)</b>		

**BILL SUMMARY**

**This analysis is limited to the homeowners' exemption portion of this bill.**

This bill would, in part, allow persons whose homes were damaged or destroyed in various disasters occurring in 2004 and 2005 to retain the homeowners' exemption on their property while they are in the process of rebuilding.

**Summary of Amendments**

The August 15 amendment adds double-joining language to two related bills: AB 164 (Nava) for the Shasta County wildfires of August 2004 and SB 457 (Kehoe) for the severe rainstorms, floods and mudslides in Southern California.

**ANALYSIS**

**Current Law**

Article XIII, Section 3(k) of the California Constitution exempts from property tax the first \$7,000 of the full value of a dwelling when occupied by an owner as his principal residence. This exemption is commonly referred to as the "homeowners' exemption."

Section 218 of the Revenue and Taxation Code details the qualifications for the homeowners' exemption authorized by the constitution. Eligibility is generally continuous once granted. However, if a property is no longer owner-occupied, is vacant or is under construction on the lien date (January 1), the property is not eligible for the exemption for the upcoming tax year.

Relevant to this bill, homes that are totally destroyed on the lien date for a particular fiscal year (that is January 1 for the forthcoming fiscal year that begins July 1) are not eligible for the homeowners' exemption. For example, a home destroyed after January 1, 2005, would continue to be eligible for the exemption on the 2005-06 property tax bill. However, if the home has not been rebuilt and occupied by the next lien date, January 1, 2006, it would not be eligible for the homeowners' exemption on the 2006-07 property tax bill.

**Proposed Law**

This bill would, in part, amend Section 218 of the Revenue and Taxation Code to provide that dwellings qualified for the homeowners' exemption that were destroyed by

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specific disasters as noted below will not be disqualified as a “dwelling” or be denied the homeowners’ exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

- **Shasta Wildfires.** Homes eligible for the exemption prior to August 11, 2004 that were damaged or destroyed by the wildfires and any other related casualty that occurred in Shasta County in the Governor-declared disaster of August 2004.
- **Southern California Storms, Floods & Mudslides.** Homes eligible for the exemption prior to December 28, 2004 that were damaged or destroyed by the severe rainstorms, floods, mudslides that occurred in Southern California in the Governor-declared disasters of December 2004, January, February and March of 2005, and June 2005.

### Background

Legislation to extend the homeowners’ exemption to temporarily damaged or destroyed homes has been enacted for some disasters as noted in the table below.

Disaster	Year	Legislation
San Joaquin levee break	2004	Stats. 2004, Ch. 792 (SB 1147)
San Simeon earthquake	2003	Stats. 2004, Ch. 792 (SB 1147)
Southern California wildfires	2003	Stats. 2004, Ch. 792 (SB 1147)
Oakland/Berkeley Hills fire	1992	Stats. 1992, Ch. 1180 (SB 1639)
Los Angeles civil riots	1991	Stats. 1992, Ch. 17X (AB 38 X)

### COMMENTS

1. **Sponsor and Purpose.** The author is sponsoring this measure to provide some financial relief to persons whose homes were damaged or destroyed by Governor declared disasters occurring in 2004 and 2005.
2. **Key Amendments.** The **August 15** amendment adds double joining language to incorporate the amendments made by AB 164 and SB 457. The **March 3** amendment corrects a typographical error referencing the date of the Shasta wildfire in subdivision (g) of Section 218 from August 2005 to August 2004.
3. **This bill would allow homeowners whose residences were damaged or destroyed as a result of the disasters to retain the exemption on their property while they are in the process of rebuilding their homes.** Homes that are uninhabitable on the lien date (January 1, 2005 and January 1, 2006) are technically ineligible for the exemption for the upcoming fiscal year under current law. Last year legislation was introduced to extend the homeowners’ exemption to homes destroyed in the Southern California fires where thousands of homes were totally destroyed in October and November of 2004 and could not have been rebuilt and occupied by January 1, 2005. This bill was later amended to include two other governor-declared disasters.

4. **Homeowners' Exemption – Disaster Impact.** The Board staff has opined that a temporary absence from a dwelling because of a natural disaster, such as a flood or fire, will not result in the loss of the homeowners' exemption for those properties temporarily vacated for repairs. (See Letter To Assessors 82/50, Question G16) However, when a dwelling has been totally destroyed, staff has opined that because no dwelling exists there is no occupancy or possibility of occupancy on the lien date and the property would not be eligible for the exemption even if the property was under construction. (See Property Tax Annotation 505.0019 "Homeowners' Exemption – Disaster Impact") Referenced documents available at [www.boe.ca.gov](http://www.boe.ca.gov) select "Property Taxes."

## **COST ESTIMATE**

With respect to administration, the Board would incur insignificant costs in informing and advising local county assessors, the public, and staff of the law changes. These costs are estimated to be under \$10,000.

## **REVENUE ESTIMATE**

***The revenue estimate is limited to the homeowners' exemption portion of the bill.***

### **Background, Methodology, and Assumptions**

Existing property tax law provides for a homeowners' property tax exemption in the amount of \$7,000 of the full value of a "dwelling," as defined. This bill would provide that any dwelling that qualified for the exemption prior to a specified date and that was damaged or destroyed as a result of specified disasters may not be denied the exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

**Shasta Wildfires.** Based on information from the Office of Emergency Services, 111 homes were totally destroyed as a result of the fires of August 2004 in Shasta County. According to the Shasta County Assessor's Office, 49 of these homes were owner-occupied principal places of residences eligible for the homeowners' exemption. If all of these homes were not rebuilt and occupied by the following lien date of January 1, 2005, then the revenue loss for the 2005-06 fiscal year would be approximately \$3,800. (49 homes destroyed @ \$7,000 assessed value x 1.102 % tax rate).

**Southern California Storms, Floods & Mudslides.** Based on information from the Office of Emergency Services and local county assessors we estimate that 83 homes were totally destroyed as a result of the winter storms and June mudslides as noted below. This bill would have no revenue impact for the 2005-06 fiscal year since these homes were not destroyed until after the lien date. If all of these homes are not rebuilt and occupied by the next lien date, January 1, 2006, then the revenue loss for the 2006-07 fiscal year would be approximately \$6,235.

County	Homes	Exemption	Exempt (# x \$7,000)	Average Tax Rate	2005-06*	2006-07 Subvention
Kern	0	N/A				\$0
Los Angeles	20	\$7,000	\$140,000	1.09%	No Impact*	\$1,527
Orange	26	\$7,000	\$182,000	1.04%	No Impact	\$1,893
Riverside	2	\$7,000	\$ 14,000	1.10%	No Impact	\$153
San Bernardino	8	\$7,000	\$56,000	1.11%	No Impact	\$619
San Diego	9	\$7,000	\$63,000	1.07%	No Impact	\$672
Santa Barbara	0	N/A		1.10%	No Impact	\$0
Shasta	49	\$7,000	\$343,000	1.10%	\$3,800	\$3,800
Ventura	18	\$7,000	\$126,000	1.09%	No Impact	\$1,371
<b>TOTALS</b>	<b>132</b>		<b>\$924,000</b>		<b>\$3,800</b>	<b>\$10,035</b>

\*Disaster Damage is post lien date – property retains exemption for 2005-06 fiscal year under existing administration of the homeowners' exemption.

### Revenue Summary

The local jurisdictions are reimbursed by the state for their losses due to the homeowners' exemption. This bill would require the state to continue to subvene these amounts. Based on the calculations above, we estimate the revenue impact to be about \$3,800 for 2004-05 and \$10,000 annually in 2005-06. The impact will decrease over time as these homes are rebuilt and the owners are once again eligible for the homeowners' exemption under existing law.

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